GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1419
ANSWERED ON:04.08.2006
CANCELLATION OF LICENCE OF COOPERATIVE BANKS
Adhalrao Patil Shri Shivaji;Adsul Shri Anandrao Vithoba

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has cancelled the banking licence of some cooperative banks recently;

(b) if so, the details thereof, State-wise, particularly in Maharashtra ;

(c) the reasons for cancelling the licences of these cooperative banks; and

(d) the steps taken by the RBI to improve the financial health of cooperative banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) and (b) Yes, Sir. Reserve Bank of India has cancelled licences of 14 Urban Cooperative Banks but no cancellation of licence of any State Cooperative Banks/District Central Cooperative Bank has been made during 2006 in the country.In Maharashtra, the licences of 4 Urban Cooperative Banks were cancelled during 2006 namely :-

SI.No.	Name	Date of Cancellation
1.	Ichalkaranji Jivershwar Cooperative Bank	29-05-2006 .
2.	Shriram Sahakari Bank Ltd., Nasik	12-06-2006
3.	Parbhani People Cooperative Bank Ltd.	09-06-2006
4.	Purna Nagrik Sahakari Bank Ltd.	23-06-2006

(c) The reasons for cancellation of the licences are precarious Financial position of the Banks with no tangible improvement; negative net worth and not complying with Section 11(1), 22 (3)(a) and 22(3)(b) of the Banking Regulation Act, 1949 (As applicable to Cooperative Societies); the affairs of the bank being conducted in a manner detrimental to the interest of its present and future depositors.

(d) For improving the financial health of the SCBs & DCCBs, RBI periodically takes up the matter with State Government, requesting them to recapitalise these banks to the desired extent. As regards Urban Cooperative Banks, RBI has evolved a `Vision Document` to ensure that UCBs emerge as a sound and healthy network of jointly owned, democratically controlled and ethically managed banking institutions.RBI has signed Memorandum of Understanding of (MoU) with five State Governments, viz. Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh and Uttaranchal. Consequently, State level task force for UCBs (TAFCUB) have been set up in all these states. Efforts are on to enter into MoU with a few more states. Further, RBI has issued guidelines for merger/amalgamation of UCBs, RBI have conveyed no objection certificate in respect of 17 merger proposals out of which 12 have been effected.